

## Message Text

LIMITED OFFICIAL USE

PAGE 01 PARIS 04389 111734Z

ACTION EUR-12

INFO OCT-01 ISO-00 SEC-01 FTC-01 JUSE-00 TRSE-00 AID-05

CIAE-00 COME-00 EB-08 FRB-03 INR-07 NSAE-00 USIA-06

XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01

PA-01 PRS-01 H-01 L-03 /064 W

-----120322Z 010721 /70

R 111729Z FEB 77

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 9694

INFO AMEMBASSY ROME

AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY BRUSSELS

LIMITED OFFICIAL USE PARIS 04389

E.O. 11652: N/A

TAGS: BBAK, FR, US

SUBJECT: SEC AUDITS OF AMERICAN AFFILIATE COMPANIES

ABROAD

1. WE HAVE BEGUN TO RECEIVE REPORTS THAT BUSINESS CIRCLES IN PARIS ARE TALKING ABOUT WHAT THEY DESCRIBE AS A "PREPOSTEROUS SITUATION" BEING CREATED IN AMERICAN AFFILIATE COMPANIES IN FRANCE AS A RESULT OF THE INVESTIGATION ORDERED BY THE SECURITY EXCHANGE COMMISSION OF POSSIBLE ILLEGAL PAYMENTS AND PRACTICES BY THESE COMPANIES.

2. WE KNOW OF ONE CASE WHERE A FRENCH PRIVATE AUDIT COMPANY HAS BEEN HIRED TO INVESTIGATE AN AMERICAN AFFILIATE. THE MOTHER COMPANY IN THE US HAS GIVEN STRICT ORDERS TO THE AFFILIATE TO COOPERATE WITH THE INVESTIGATION. THIS INVESTIGATION TAKES THE FORM NOT LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 PARIS 04389 111734Z

ONLY OF A REQUIREMENT TO FILL LENGTHY QUESTIONNAIRES BUT ALSO OF AN ACTUAL AUDIT OF BOOKS TO DISCOVER WHETHER EXPENDITURES HAVE BEEN MADE WHICH ARE NOT SUPPORTED BY BUSINESS TRANSACTIONS. EVEN SUBSCRIPTIONS TO MAGAZINES ARE BEING QUESTIONED.

3. THE MORE RESPONSIBLE BUSINESSMEN RECOGNIZE THE

GOOD INTENTIONS AND PURPOSE BEHIND THESE AUDITS AS  
DIRECTED BY SEC, BUT FEEL THAT THESE AUDITS AS  
CONDUCTED IN FRANCE, AND UNDOUBTEDLY IN OTHER COUNTRIES  
AS WELL, ARE ILL-CONCEIVED, GOING TOO FAR AND COULD  
EXPOSE THE US TO SOME RIDICULE IF THEY SHOULD GAIN  
PRESS ATTENTION.

4. TO FIELD INQUIRIES FROM BOTH AMERICAN BUSINESS  
AND THE PRESS, IT WOULD BE HELPFUL FOR US TO KNOW  
MORE ABOUT THE MANDATE AND GUIDELINES LAID DOWN  
BY THE SEC FOR THESE EXTRATERRITORIAL AUDITS AND TO  
HAVE A LISTING OF CONTRACTS LET BY SEC FOR  
INVESTIGATIONS IN FRANCE.  
RUSH

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 11-Feb-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977PARIS04389  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770050-0577  
**Format:** TEL  
**From:** PARIS  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t19770249/aaaabro.tel  
**Line Count:** 76  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** c4def5c7-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 09-Mar-2005 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 3339317  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** SEC AUDITS OF AMERICAN AFFILIATE COMPANIES ABROAD  
**TAGS:** BBAK, FR, US  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/c4def5c7-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009